Roadmap for Growth

The United States is at a critical juncture. The deep recession and weak economic recovery have left one in 10 American workers without a job, and our federal budget is driving our country's debt to unprecedented levels.

Business Roundtable believes that the nation's business community, the White House and Congress must work together to encourage the investment and innovation necessary to restore our nation's economic growth. This Roadmap for Growth details our recommended action plan.

Business Roundtable℠

More Than Leaders. Leadership.

We need American policies that ensure U.S. companies can compete on a level playing field and continue to deliver the improvements in quality of life that Americans have enjoyed in recent decades.

What We Need: Holistic, Growth-Oriented Policy

As the world economy expands—95 percent of the world's consumers today are outside the United States—we need American policies that ensure U.S. companies can compete on a level playing field and continue to deliver the improvements in quality of life that Americans have enjoyed in recent decades. Piecemeal policies to address specific issues in areas such as energy, taxation or health care often have unintended negative consequences for employers and the economy. There currently exists an atmosphere of uncertainty, with many businesses postponing investments and hiring decisions as they assess how they will be affected by new mandates.

In this increasingly competitive environment, the nation's leaders need to consider the impact of every policy decision on American businesses and their ability to grow, create new jobs and compete in the world market. Our leaders must be aware that other nations are looking to enhance their own competitiveness. If U.S. firms are to continue to be more productive, innovative and efficient, U.S. policies must change.

Business Roundtable has created the Roadmap for Growth, which comprises policies to achieve growth and create jobs. The ideas we outline here are data-driven recommendations for policy changes that should be acted upon now, not later.

Business is prepared to work with the U.S. government to develop growth-oriented policies. At Business Roundtable, we see the need for action in five key areas:

- Fiscal Policy
- Market Access
- Education
- Government Regulation
- Energy and the Environment

The following Roadmap lays out specific recommendations in each of these areas. Together, these policies comprise a holistic plan to drive sustained economic growth in the United States and position our nation as a global leader in the 21st century.

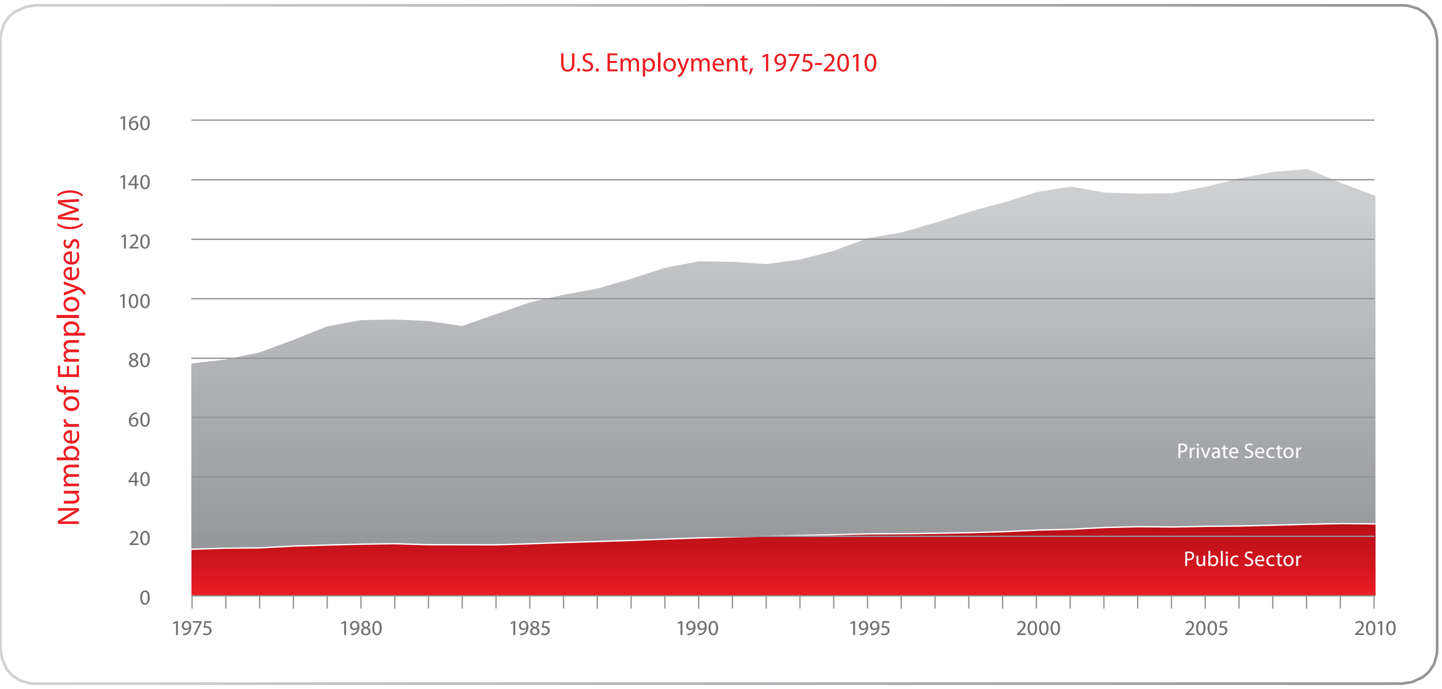
U.S. businesses—large and small companies—are the engine of growth for our economy and they understand what is necessary to help our economy recover.

American Business: Poised to Lead the Way

Businesses are the foundation for economic growth. They create jobs; they innovate, manufacture and provide the services that drive the economy; and they have the technology, expertise and capital to play a pivotal role in restoring our nation's economic growth.

As CEOs of our nation's largest companies, Business Roundtable members know that it is essential to our future domestic success that American businesses are competitive at home and abroad. We stand ready to work with lawmakers to help achieve a common understanding of the unforeseen consequences that poorly considered regulation and legislation can have on the competitiveness of American businesses, and on the country's ability to remain a global economic leader and create new jobs. We are prepared to work with elected officials to help define clear policies that will make the future more certain and businesses more optimistic.

Right now, we have a historic opportunity to put in place the right policies to create jobs and foster economic stability, but business and government must work together. Business Roundtable's Roadmap for Growth is our pro-jobs economic strategy.



Source: Bureau of Labor Statistics
Note: Figures are from January of each year

Fiscal Policy: Competitive Taxation and Deficit Reduction

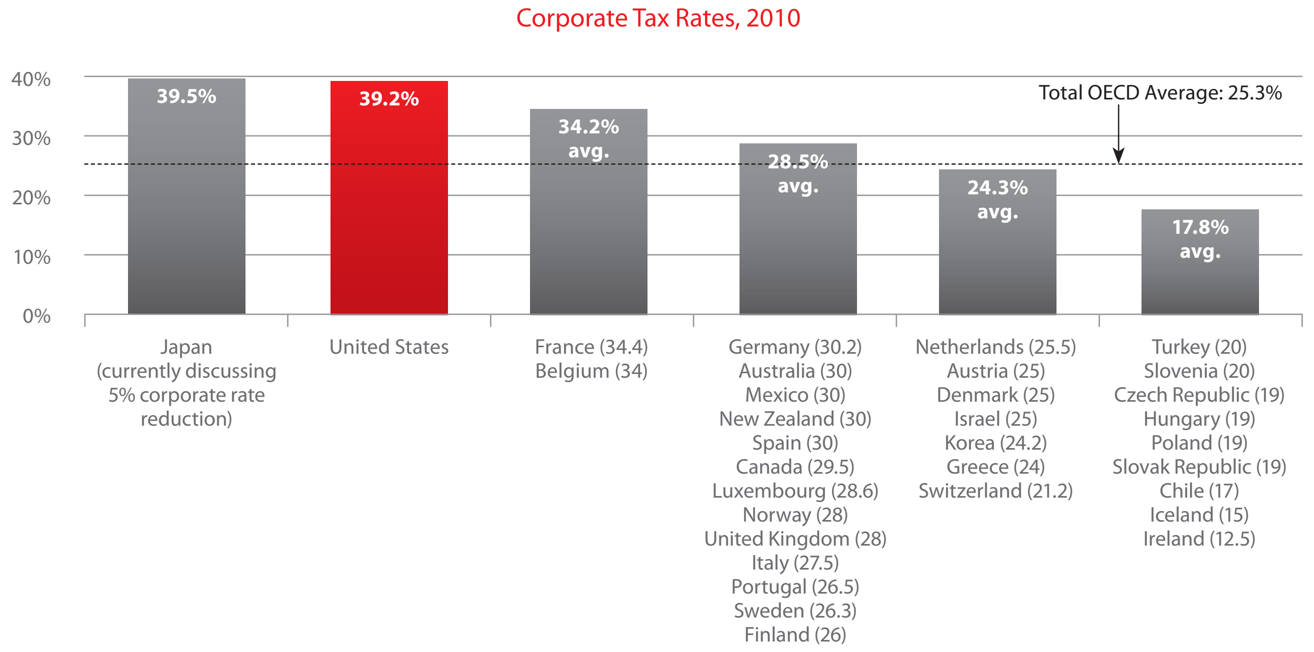
Sustainable Growth Through Responsible Spending

Fast Facts

Competitive Taxation

U.S. companies pay taxes at far higher rates than their international competitors:

- We are the only G8 country that taxes the overseas business income of its corporations
- We have the second-highest statutory corporate tax rate in the OECD, 13 percentage points higher than the OECD average



Source: OECD: Tax Database (2010)

Note: Includes central (i.e., federal) and sub-central (i.e., state) rates

Competitive Taxation

The Issue

To increase the pace of economic growth and decrease unemployment, American businesses must have the confidence to invest and hire.

To increase the pace of economic growth and decrease unemployment, American businesses must have the confidence to invest and hire. Changes in tax policy can create the proper conditions for more robust job creation in the private sector, stronger capital formation, higher exports and increased foreign investments. Conversely, uncertainty and excessive taxation restrict our ability to innovate, compete and hire.

In 1986, the United States embarked on tax reform that reduced the corporate tax rate from 46 percent to 34 percent, providing U.S. companies with one of the most competitive tax rates in the world at the time. Since 1986, however, changes in the world economy and the efforts of other governments to attract investment and create jobs have left the United States with one of the least competitive tax systems in the world, disadvantaging American companies and American workers.

In 2010, the combined federal and state corporate tax rate in the United States is 39.2 percent, the second highest in the developed world and 50 percent higher than the 25.3 percent average statutory rate among Organization of Economic Cooperation (OECD) countries. A lower corporate tax rate is necessary to make the United States a more attractive location for the capital investment needed to fuel job growth.

The rest of the world also promotes foreign investment with more competitive tax treatments, understanding that domestic workers and economies benefit when companies export goods and services abroad and add high-paying domestic jobs to support their worldwide operations. Here in the United States, companies' foreign operations serve as platforms for U.S. goods and services to expand into new foreign markets, which, in turn, grow U.S. employment.[1]

All other G8 countries, and most other OECD countries, have territorial tax systems that permit foreign earnings—taxed once already in the foreign location—to be brought back for reinvestment in the domestic economy and incur little or no additional home country tax. The U.S. system, in contrast, creates a tax disadvantage for American companies, which pay taxes in the foreign location in which they operate and additional U.S. taxes when they bring foreign earnings home. With 95 percent of the world's consumers outside the United States, U.S. tax law is a detriment to the growth of American companies.

Innovation and technological advances achieved through research and development (R&D) by U.S. companies have long been responsible for major increases in American economic growth and worker productivity. Yet, a 2009 OECD study placed the United States 19th out of 32 OECD countries in terms of the competitiveness of our R&D tax incentives and 24th out of an expanded group of 38 countries. According to this study, the U.S. tax incentives for R&D are behind those of advanced emerging economies such as Brazil, China, India and Singapore. The OECD study does not consider special tax rates that apply to innovation income in some countries or the temporary nature of the U.S. R&D tax credit—factors that would make the U.S. disadvantage even greater. As economic growth is increasingly dependent on leading through innovation, the U.S. must take action to stay ahead.

OECD Home Country Method of Tax on Foreign-Source Dividends

Method of Taxation	Countries		Dividend Exemption Percentage
Exempt foreign-source dividends from domestic taxation through territorial tax system[1]	Australia, Austria, Canada, Czech Republic, Denmark, Finland, Greece, Hungary, Iceland, Luxembourg, Netherlands, New Zealand, Portugal, Slovak Republic, Spain, Sweden, Switzerland,[2] Turkey, United Kingdom		100% exemption
	Norway		97% exemption
	Belgium, France,[3] Germany, Italy, Japan, Slovenia		95% exemption
Worldwide system of taxation with foreign tax credit	Country	Tax Rate[4]	
	Chile	17.00%	0% exemption
	Ireland	12.50%	0% exemption
	Israel	25.00%	0% exemption
	Korea	24.20%	0% exemption
	Mexico	30.00%	0% exemption
	Poland	19.00%	0% exemption
	United States	**39.21%**	**0% exemption**

[1] *In general, territorial tax treatment providing exemption of foreign-source dividends depends on qualifying criteria (e.g., minimum ownership level, minimum holding period in the source country, and/or the source country tax rate).*
[2] *The effective exemption may be reduced by up to 5% as a proxy for general and administrative expenses.*
[3] *The exemption percentage is at least 95%, but can be higher.*
[4] *Refers to generally applicable tax rate, including surcharges, of combined central and sub-central government taxes.*

Source: Country tax rates are from OECD, OECD Tax Database.

The Solution

To support U.S. competitiveness and job growth, the United States needs to:

- **Implement comprehensive tax reform.** We need to reconsider our nation's entire corporate tax system and redesign it to promote investment in the United States and strengthen U.S. competitiveness in the global marketplace. A stable, reliable, equitable and non-discriminatory tax system that provides a level playing field is essential for long-term economic growth.

- **Decrease the corporate tax rate.** The U.S. must lower the corporate tax rate to be more competitive with other countries. The high U.S. corporate tax rate reduces investment and leads to lower wages for American workers.

- **Consider a territorial tax system.** The United States is the only G8 country, and one of only a few OECD countries, without a territorial tax system.

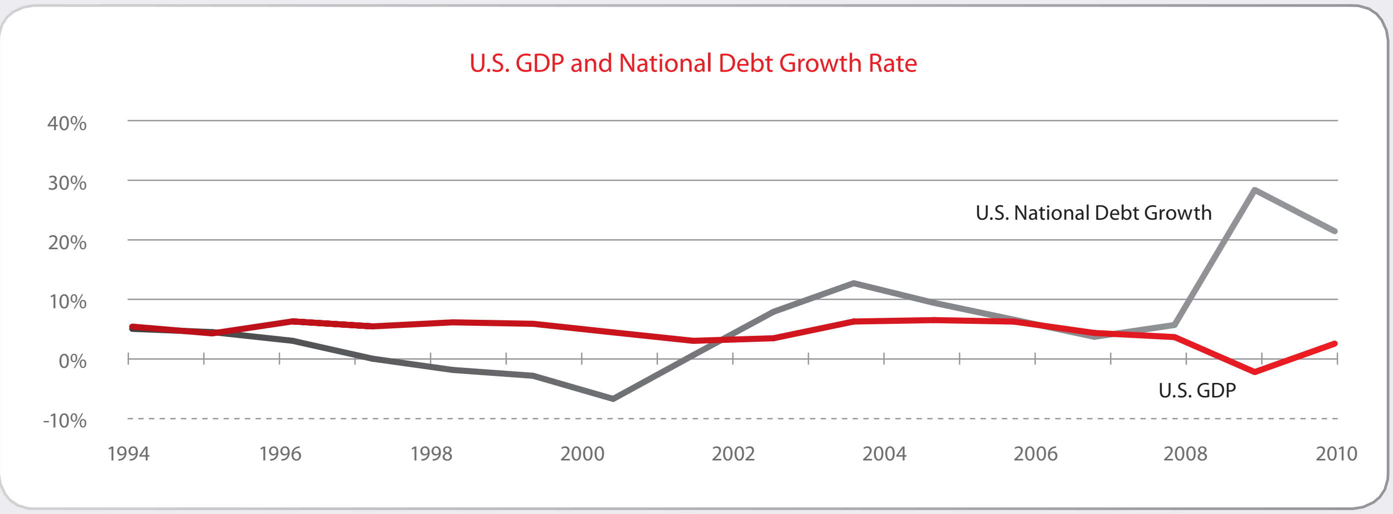
- **Provide for business certainty by extending expired provisions.** The short-term nature of many business tax incentives reduces their ability to encourage the very activities they are intended to promote, diminishing American competitiveness. As of this writing, business tax incentives that expired at the end of 2009, including the R&D credit and important international provisions, have not yet been extended. Business Roundtable calls for their immediate and seamless extension for 2010 and a short-term extension for 2011 and 2012 to reduce ongoing business uncertainty. In view of the nascent economic recovery, these extensions should be implemented without raising new taxes on businesses or consumers.

Fast Facts

Deficit Reduction

The growth in government spending is unsustainable:

- Government spending is projected to reach 25% of GDP by 2020
- In just three years, the percentage of debt held by the public has ballooned from 36% of GDP in 2007 to 62% of GDP at the end of fiscal 2010
- In the next 10 years, publicly-held debt is projected to grow to 90% of GDP
- The annual budget deficit is projected to be over $1 trillion in 2011
- The 2009 and 2010 deficits are the largest deficits relative to the size of the economy since World War II



Source: White House Office of Management and Budget, Congressional Budget Office.

Deficit Reduction

The Issue

If we continue down this path, public debt will approach 100 percent of GDP in just nine years.

Federal government spending is projected to grow significantly in the decades ahead. Under the Administration's fiscal year 2011 budget, the Congressional Budget Office (CBO) estimates that government spending in 2020 will reach 25.2 percent of GDP, significantly higher than the average of 21 percent of GDP over the past 40 years. Annual deficits would average nearly $1 trillion each year over the 10-year period from 2011 to 2020. The debt held by the public would grow from 36 percent of GDP in 2007 to 90 percent of GDP by 2020. Under a range of other likely scenarios considered by CBO, deficits grow even more rapidly and cause the debt burden to exceed 100 percent of GDP within the decade.

Such significant deficits crowd out private investment and require increased foreign borrowing, resulting in less business investment, large interest payments to foreign lenders, slower economic growth and a reduced standard of living for American families.

Despite the inherent obstacles that must be overcome, serious entitlement reform is clearly necessary if the United States is to avoid a fiscal crisis.

The increased debt load also brings a greater risk of future downgrades. The U.S. Treasury's lending rates are traditionally considered the floor for corporate and individual rates. If Treasury's lending rates go up, so will everyone else's rates.

Longer-term projections show the situation getting even worse as government spending on Social Security, Medicare and Medicaid grows steadily with the retirement of the baby boom generation and the growth in the per beneficiary cost of health care. By 2025, under one realistic scenario considered by CBO, revenues will be insufficient to cover spending on mandatory programs (Social Security, Medicare, Medicaid and other health programs) and interest on the debt. In other words, if the government was forced to not run a deficit, there would be no money left for all other government spending—national security, education and other vital programs.

Finding a solution will not be easy, but our economic security and future living standards depend on managing down the deficit and debt, and curtailing the growth in federal spending.

The Solution

Our economic security and Americans' future standard of living depend on managing down our deficit and debt, and curtailing the growth in federal spending. Business Roundtable can offer its experience and expertise, and wants to work with Congress and the Administration on consensus solutions to this difficult task.

- **Reduce the debt and deficits.** Policy makers must closely examine all aspects of the federal budget and develop policy recommendations designed to help the Administration and Congress achieve consensus deficit targets that maximize economic growth while putting the U.S. economy on a more sound fiscal foundation.

- **Reform spending, including entitlements.** To put our economy on a sustainable path forward, the U.S. government must undertake significant reforms to reduce the growth of government spending, focusing on mandatory spending programs where the most rapid growth is occurring.

- **Reform Social Security.** Social Security reform must ensure that long-term benefits are based on demographic and economic realities while allowing the program to meet its promises to current retirees and those nearing retirement. These reforms should include incentives for private savings and investment.

- **Reduce health care costs.** Restore market forces to health care; insert cost and quality data into the process to enable individuals to act as consumers versus beneficiaries; and create a safety net for treatments that pose catastrophic financial risk to individuals.

Market Access:
International Trade and Investment

Competing Abroad to Succeed at Home

Fast Facts

- More than 38 million U.S. jobs depend on trade
- Over 63 million Americans work for a U.S.-based multinational—either directly (22 million) or through their supply chains
- U.S.-based multinational companies account for nearly half of our country's GDP
- An average large U.S. company purchases $3.27 billion worth of products and services from small businesses, or 24 cents per dollar spent on inputs
- U.S. workers at worldwide American companies make, on average, 20%, or $10,000, more every year than their private-sector counterparts
- 95% of the world's customers—with over 75% of the world's purchasing power—are outside the United States

The Issue

International trade and investment agreements are essential to expanding our economic growth and job creation. They open markets for American companies and workers and create rules to ensure fair trade. Strong and quick enforcement of rules and laws is the key to ensuring that we capture the benefit of expanding trade and investment.

U.S.-based multinational companies underpin U.S. economic growth and job creation. They account for nearly half of U.S. GDP, directly employ 22 million American workers and help support another 41 million American workers through their supply chains, creating a combined 63 million-strong workforce. U.S. multinationals are an integral part of the lifeblood of our economy, and sustained economic growth and job creation at home depend on these companies being competitive in international markets through both their exports and foreign investments.

Equally important, our multinational companies play a key role in the competitiveness of the vast majority of small businesses, serving not only as critical channels for them to access world markets, but also as customers; multinationals purchase a total of $1.52 trillion worth of products and services from small companies, or 24 cents per dollar spent on inputs. This partnership is vital for economic growth and job creation.

Today, more than 38 million U.S. jobs depend on trade; compare that to 1992, a year prior to the implementation of a long string of multilateral and bilateral trade-liberalizing agreements, when net total trade-related employment in the United States was only 14 million jobs. That is a growth of 24 million new jobs for American workers in less than two decades. Clearly, trade has been an important engine of job creation. Research conducted by the Tuck School of Business at Dartmouth shows that the jobs created in the United States by multinationals, through trade and investments abroad, are generally high-paying and require knowledge creation and capital investment.

To ensure American multinational companies can continue to create high-paying, investment- and export-oriented jobs, we must renew our commitment to negotiate bilateral, regional and multilateral agreements to open markets for American companies and workers, and reject the false notion that trade is more beneficial to our trading partners than it is to Americans.

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At the same time, all American companies and workers need domestic policies that will help them take advantage of the National Export Initiative (NEI). Specifically, American workers need programs to develop and maintain the skills needed for higher-skilled service and manufacturing jobs that increasingly characterize the U.S. economy in the 21st century. They need support when their livelihoods are threatened for whatever reason—whether it's due to increasing productivity, technological change or domestic or international competition.

Among the wide range of domestic competitiveness policies that need immediate attention are: building a competitive workforce; strengthening American leadership in research and development and strong intellectual property protection; meeting energy and environmental challenges; and making U.S. tax policies more competitive.

With 95 percent of the world's consumers living outside our borders, U.S. businesses must increasingly look to foreign markets if we are to expand sales, grow at home and create new jobs. Yet, the United States runs the risk of falling behind in the race for exports and new jobs—standing still while foreign nations surge ahead by creating a network of Free Trade Agreements (FTAs) that exclude the United States.

According to the World Trade Organization (WTO), an estimated 400 FTAs are scheduled to be implemented by the end of 2010, more than half of which have happened since 2002. The share of world trade now covered by preferential agreements is estimated to be around 50 percent. In Asia, which now has the world's fastest-growing economies, there were only three FTAs in 2000; today, more than 50 have been concluded, with close to 80 more in the pipeline.

As is the case with corporate tax policy, the United States risks falling behind. The United States has only one new FTA negotiation underway, while other countries are moving forward aggressively to negotiate preferential treatment for their companies, workers and farmers. The European Union, which provides the closest comparison to the United States, has 16 negotiations underway with 46 countries; South Korea has 15 negotiations with 25 countries; China has 11 negotiations with 18 countries; Japan has seven negotiations with 38 countries; India has six negotiations with 44 countries; and the Association of Southeast Asian Nations has three negotiations with 29 countries.

We must, at all costs, resist protectionism and isolationism, which give our foreign competitors an enormous advantage, threatening U.S. exports and the 38 million U.S. jobs that depend on them. Certainly, strong enforcement of existing agreements is essential, but we need to secure new agreements to help American companies and their workers overcome the competitive advantages our foreign competitors have created for themselves.

The Solution

The NEI provides a strong foundation for action to improve export opportunities for all U.S. companies, maintain competitiveness abroad, and spur economic growth and job creation at home. To make sure the NEI's new export promotion programs succeed, the United States needs to:

- **Aggressively pursue trade and investment agreements.** We need strong bipartisan leadership to keep us from falling farther behind our major foreign competitors as they expand their networks of FTAs and international investment agreements. U.S. competitiveness in world markets depends on the ability of our companies and workers to export and to invest in markets around the world.

The outstanding issues in the pending FTAs with Korea, Colombia and Panama should be resolved and the agreements sent to Congress as quickly as possible. New bilateral and regional trade and investment agreements should also be pursued along with new efforts to conclude an ambitious and balanced Doha Round. These initiatives are essential to opening new markets for American companies and workers and to maintaining a level and fair trading and investing field for them.

- **Aggressively enforce U.S. rights under international agreements.** Strong and effective enforcement of existing agreements and U.S. trade laws is critical to ensure that American companies, workers, farmers and consumers are treated fairly and obtain the maximum benefits from our trade and investment agreements.

- **Support U.S. competitiveness.** In order to capitalize on the NEI and take advantage of current and future FTAs, we must enhance the competitiveness of our workforce; continue to foster best-in-class research and development; strengthen intellectual property protection; increase our energy security while addressing environmental concerns; and ensure the U.S. tax system advances the competitiveness of U.S. companies in world markets.

- **Develop new Trade Promotion/Fast-Track Authority.** Finally, to keep pace with our foreign competitors' aggressive negotiating strategy to open markets for their companies and workers, the time has come to begin developing new trade promotion/fast-track authority.

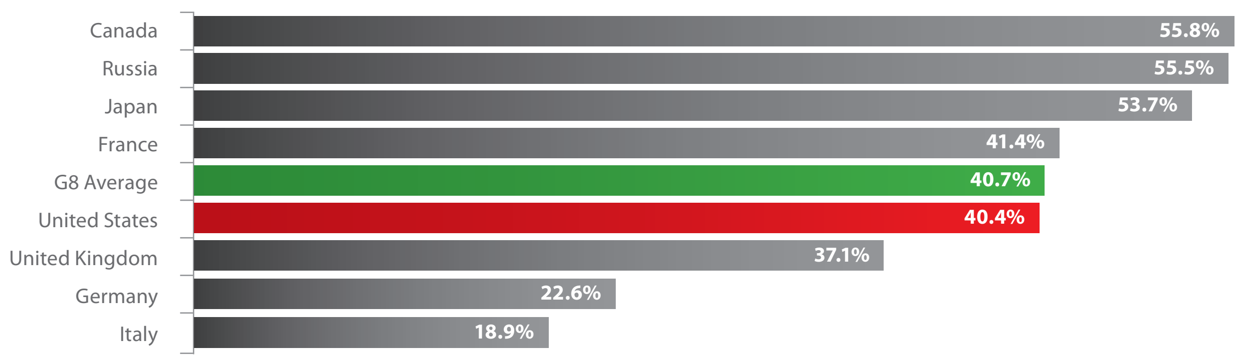
Education

Preparing U.S. Students and Workers to Succeed

Fast Facts

- The U.S. has dropped from 1st to 14th in the world in the share of adults aged 25-34 who have a postsecondary degree[2]
- The U.S. ranked 52nd out of 139 countries in the World Economic Forum's report on math and science education[3]
- Half of U.S. employers report a sizeable gap between their current needs and the skills of their employees[4]
- By 2018, nearly two-thirds (63%) of new and replacement jobs will require at least some post-secondary education. More than half of those jobs will require a bachelor's degree or higher[5]
- Educational quality relates directly to GDP: If the U.S. became a top-performing nation by 2025, our 2037 GDP would be 5% higher; and by 2080 it would be 36% higher[6]
- More foreign-born students pursue advanced degrees in engineering and physical science in U.S. graduate schools than do U.S. students[7]

Percentage of Young Adults with Associate's Degree or Higher



Source: OECD, 2009

The Issue

Today, workers without a college education experience an unemployment rate that is nearly 6 percentage points higher than workers who have earned a bachelor's degree.[8] Further, under-educated and under-skilled workers, particularly those who lack proficiency in science, technology, engineering and mathematics (STEM), will not be qualified for the new jobs that America's modern economy will create. Even in the current state of weak economic expansion, the contours of the problem are visible. Employers report having difficulty finding qualified employees for some open positions, despite a high national unemployment rate. A survey conducted for Business Roundtable revealed that half of U.S. employers see a sizeable gap between their needs and the skills of their employees, and 65 percent anticipate requiring "all," "most" or "some" new employees to have earned an associate's degree or higher.

While education reform in the United States has improved student achievement over the last 10 years, the rest of the world has not stood still. According to the most recent international comparisons, U.S. K-12 students rank 19th in math and 14th in science out of 31 countries scored by the OECD. In higher education, the number of foreign students studying physical sciences and engineering in U.S. graduate schools is greater than the number of American students.

For nearly a century, superior U.S. economic performance rested on the strong foundation of a well-educated population. American employers had ready access to the most highly educated workforce in the world. It is important to note that the U.S. education system has not actually decreased its performance. By some measures it has improved. The problem is that the U.S. education system has not kept pace with the economy's growing requirement for increased educational attainment or with the increased educational performance of our economic competitors.

America has slipped from first to 14th in the world in the share of adults ages 25–34 with post-secondary degrees.

As other nations recognize the importance of education to their prosperity, America has slipped from first to 14th in the world in the share of adults ages 25–34 with post-secondary degrees. Only 69 percent of American teenagers complete high school in four years and only slightly more than 40 percent of U.S. young adults hold an associate's or higher college degree.[9] The high school graduation[10] and college completion[11] rates are particularly troubling for African-American (54 and 42 percent) and Hispanic (56 and 48 percent) students.

Without accelerated reform to boost U.S. student achievement and increase college completion rates for students and workers of all ages, particularly in STEM, American students and workers will fall farther behind, and future U.S. economic competitiveness will be placed at risk.

The Solution

The federal government's responsibility and accountability for education is limited but influential. Business Roundtable recommends the following actions:

- **Improve math and science education.** Sustained investment in basic research in the physical sciences and engineering, paired with focused attention to improving STEM education, are essential to ensuring continued U.S. scientific and technological leadership and to developing the next generation of scientists, engineers and STEM-literate Americans. Renew and fund the America Competes Act.

- **Improve K-12 education.** Modernize and strengthen the key elements of the Elementary and Secondary Education Act, including internationally benchmarked standards and assessments; better measures of performance, particularly for teachers and administrators; and a greater focus on K-12 STEM education.

- **Expand incentives both for innovation and for scaling up proven programs in K-12 education.** Continue to invest in competitive programs that focus on performance and encourage innovations such as Race to the Top, Teacher Incentive Fund, Investing in Innovation and expansion of high-quality charter schools. These initiatives promote promising policy changes long advocated by the business community.

- **Promote a Race to the Top competition for two- and four-year colleges that focuses on completion rates and attainment of credentials valued by employers.** Increasingly, education is synonymous with workforce development for Americans who are currently employed, as well as for Americans who have lost jobs in shrinking occupations. Incentives at community colleges and four-year institutions need to shift from rewarding enrollment to rewarding completion.

Government Regulation: Financial and Health Care

Regulating the Right Way

Business Roundtable has always supported sound regulations that protect our workforce, our economy and our environment. When regulations are developed and implemented the right way, they can empower employees, facilitate growth and improve the quality of our health, air, water and land. Effective regulations can also ensure U.S. industry remains innovative and competitive in the global market, ultimately bolstering and growing our economy at home.

But when regulations fail to achieve these results—when the public is no better off, the environment no cleaner, the economy no sounder and American businesses no stronger or more competitive—those regulations must be reevaluated.

Specifically, the success and profitability of U.S. companies—and their subsequent ability to invest in new jobs and new solutions—has been threatened by inflexible and cumbersome regulations in the financial services, environmental and health care sectors.

Business Roundtable believes that we can strike a balance between regulation and economic development. This balance can—and must—be achieved to ensure continued economic growth and recovery.

Business Roundtable has identified the following areas where regulatory improvements and reform must be made to protect and strengthen American workers, U.S. companies and our economy as a whole.

Fast Facts

Financial Regulation

- Imposing a 3% margin requirement on over-the-counter (OTC) derivatives would cause the S&P 500 companies alone to reduce capital spending by $5–$6 billion per year; this would lead to a loss of 100,000–120,000 American jobs
- 72% of Business Roundtable CEOs say that the new derivatives provisions would have a significant impact on their business

Financial Regulation

The Issue

Business Roundtable supports strong, targeted reforms for our financial system, championing measures that will encourage American investment, innovation, job creation, confidence and stability in the economy.

The Restoring American Financial Stability Act ("Dodd-Frank") enforces a "one-size-fits-all" approach that fails to account for the diversity of U.S. businesses and interferes with their ability to innovate and create jobs. The scope of the legislation goes beyond the causes of the financial crisis. Indeed, the bill as passed, is broad-stroke legislation that will have many unintended consequences for the more than 12,000 non-financial publicly-traded companies and the U.S. economy overall. For example, new cumbersome regulations and provisions dealing with corporate governance and derivatives will increase volatility, risk and uncertainty in the market, which will impact the ability of companies to invest in new jobs and new solutions.

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Corporate Governance

Because of the historical regulatory approach, which relied primarily on the actions of individual states, corporations have been able to implement governance best practices and flexibly respond to shareholder concerns. Recent examples include shareholder-initiated reforms such as majority voting, elimination of classified boards and transparency of political contributions.

Recent SEC rules on proxy access, however, would impose a "one-size-fits-all" mandate and exacerbate focus on the short-term rather than long-term value creation.

Derivatives

Derivatives provisions in the recently passed financial regulatory reform bill could place an extraordinary burden on end-users in every sector of the economy, including manufacturers; energy companies; utilities; health care providers; insurance companies and other financial end-users; and commercial real estate owners and developers.

Many of these businesses rely on OTC derivatives to manage such risks as fluctuating currency exchange rates, interest rates and commodity prices.

A Business Roundtable study found that imposing a three percent margin requirement on OTC derivatives could cause the S&P 500 companies alone to reduce capital spending by $5-6 billion per year, leading to a loss of 100,000-120,000 American jobs.

Simply put, end-users should not be subjected to bank-like regulation that will harm, not promote, economic recovery.

The rationale for regulating derivatives is to lower systemic risk, yet the regulation prescribed by Dodd-Frank will increase the costs of managing risk and will cause volatility to be distributed less efficiently throughout the economy. Simply put, end-users should not be subjected to bank-like regulation that will harm, not promote, economic recovery.

The Solution

To ensure that the recently passed financial reform bill helps achieve strong economic recovery, growth and market confidence, Business Roundtable recommends the following actions:

- **Proxy voting.** Congress should rescind the authority it gave the SEC on proxy access. This responsibility should remain in the purview of states and individual companies and their shareholders. The SEC's final rule on proxy access was an unfortunate first step in implementing the hundreds of regulations emanating from the legislation and it should be overturned in the pending court challenge. In any event, it is critical that the SEC update its rules to promote greater efficiency and transparency in the proxy voting system and enhance the accuracy and integrity of the shareholder vote, including regulation of proxy advisory firms.

- **SEC rulemakings.** As the SEC and other regulators consider other rulemakings, it is important to make certain that the final rules add value, enhance confidence in the economy and foster companies' ability to grow and create jobs. Specifically, as the SEC embarks on disclosure rulemakings, it must take care to focus on usable and actionable information.

- **Avoid over-regulation of derivatives.** Roughly 72 percent of U.S. CEOs say that the new derivatives provisions could have a significant impact on their businesses. Implementation of the derivatives provisions in the financial regulatory reform should not jeopardize practical risk-management tools. Policymakers must avoid imposing costs on the end-users of legitimate derivatives.

Fast Facts

Health Care Regulation

- Our employer-based health care system insures 177 million Americans
- The G5 countries (Canada, Japan, Germany, the United Kingdom and France) spend just 63 cents for every dollar we spend on health care, and yet we achieve no better outcomes

Health Care Regulation

The Issue

Business Roundtable has always been a strong advocate for health care reform, recognizing the need to slow rising costs, improve efficiency and ensure continued quality to relieve the financial burdens on American families, increase workers' mobility, spur job creation and strengthen American competitiveness in the global market.

The health care reform law was a step forward in reforming our nation's health care system to improve the quality of care while expanding access for all Americans, but it is far from perfect. Specifically, the law does not adequately address certain opportunities for meaningful cost containment, most notably medical liability reform. It also includes taxes and fees that will be passed on to purchasers. As the law is implemented, regulators will need to work collaboratively with the private sector to limit disruption and continue focusing on reducing the rising costs of care.

According to Business Roundtable's Health Care Value Comparability Study™, a widely respected measure of the cost and performance of the U.S. health care system relative to our global competitors, the United States spends more than our competitors to achieve an overall level of health and quality of care that is no better. For every dollar we spend in the United States on health care, our top competitors (Canada, Japan, Germany, the United Kingdom and France) spend just 63 cents.

We must work to bring down healthcare inflation—public/private partnerships can drive experiments that provide knowledge to drive down costs and enhance quality.

Fortunately, in recent years, we have made progress as a nation in improving health system quality. In particular, a series of hospital safety initiatives led by large U.S. employers, government and health industry organizations, has reduced hospital errors. These efforts demonstrate the potential impact of focused, coordinated efforts.

There remain many challenges ahead as we work to create greater efficiencies and capture savings. The success of this reform will be based on allowing private market innovation and creating non-excessive, smart regulation.

The Solution

- **Preserve the Employee Retirement Income Security Act (ERISA).** ERISA is the foundation for our employer-based health care system that insures 177 million Americans; safeguarding ERISA means protecting the majority of Americans and their families.

- **Enact medical liability reform.** The medical liability laws need to be changed to ensure that patients do not lose access to physicians and a full range of health care services.

- **Promote competition in the marketplace.** The marketplace needs to be expanded and private plans should be allowed to compete without undue regulation under the new insurance market rules.

- **Reduce costs.** Several cost-cutting strategies should be implemented, including but not limited to: delivery system reforms under Medicare; wellness and prevention programs; comparative effectiveness research; and expanded use of health information technology to save costs and reduce duplication of services.

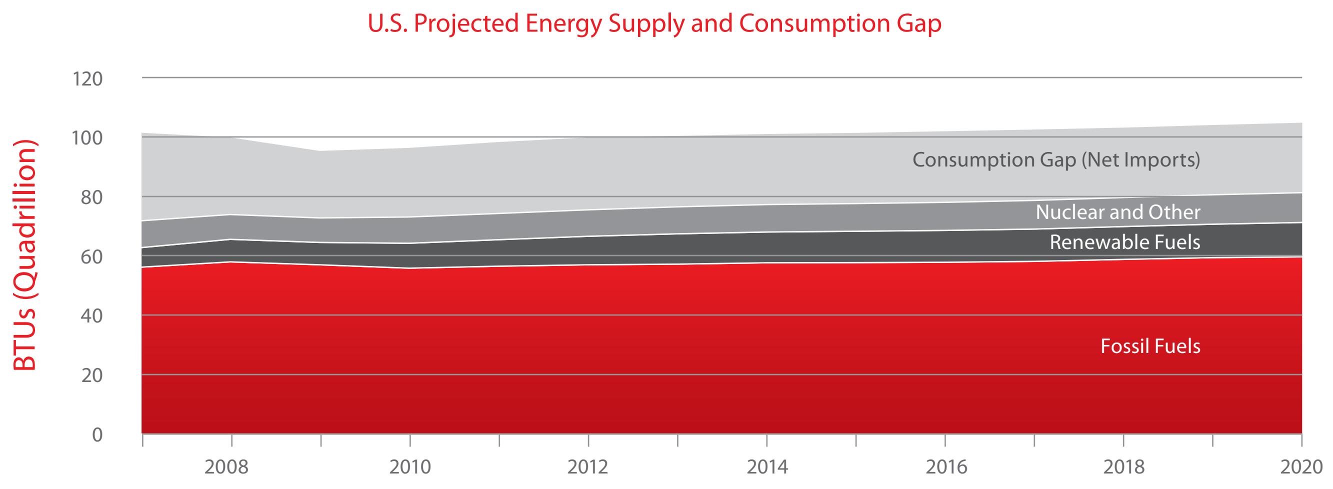
- **Leverage innovation and technology to improve health outcomes.** The power of innovation must be brought to bear on our health care system through the private marketplace. Technology and innovation are two of the most effective tools we have in the fight to provide every American with affordable health care services and positive health outcomes.

Energy and the Environment

Harmonizing Policies and Regulation for a Sustainable and Secure Future

Fast Facts

- The International Energy Agency predicts a 70% increase in global energy use by 2050
- Energy consumption in the U.S. should increase 14% by 2035, with more than three-quarters of that energy produced by fossil fuels
- By 2020, U.S. companies will invest between $60 and $100 billion in improving the electricity transmission system
- The EPA estimates that companies will need to spend anywhere from $19 to $90 billion to comply with its proposed ozone standards



Source: EIA, 2009

The Issue

As the global population continues to grow rapidly and developing nations continue to modernize, energy consumption around the world will also continue to rise at a staggering pace. The International Energy Agency predicts a 70 percent increase in global energy use by 2050. In the U.S. alone, estimates show energy consumption growing 14 percent by 2035, with the vast majority (78 percent) of that energy coming from fossil fuels.

For the United States to meaningfully address climate change and other pressing environmental concerns, and, at the same time, ensure energy access and security for the American people without overburdening the U.S. economy, alternative sources of energy must be developed, energy conservation must be encouraged, new infrastructure must be constructed and advanced technologies must be developed and deployed.

Environmental, energy and economic policies are inextricably linked. Achieving America's long-term environmental objectives must not come at the expense of its economic or energy security, or we simply will have exchanged one unsustainable approach for another. We cannot ignore our energy security or the cost of our energy as we devise new environmental policies, particularly policies relating to greenhouse gas emissions (GHGs).

Environmental, energy and economic policies are inextricably linked. Achieving America's long-term environmental objectives must not come at the expense of its economic or energy security, or we simply will have exchanged one unsustainable approach for another.

Meeting the sustainable growth challenge will not be easy or cost-free, but we can significantly mitigate the costs associated with this transformation of our economy through sound policy choices that accelerate the deployment of key technologies. In a study released last year, "The Balancing Act: Climate Change, Energy Security and the U.S. Economy," Business Roundtable concluded that investments in a balanced portfolio of advanced energy efficiency and production technologies, combined with strong policy leadership to speed deployment and market penetration of those technologies, could significantly reduce GHGs and increase energy security.

The transition to a low-carbon economy will take decades and will require many hundreds of billions of dollars in private sector investments. In the meantime, our economy will continue to require new supplies of reasonably priced fossil and other fuels to power our homes, shops, factories, cars and power plants.

Unfortunately, over the past year-and-a-half, the EPA has indicated that it will propose a series of new, tighter regulations on the emissions of sulfur dioxide, nitrogen dioxide, ozone, particulate matter, mercury, GHGs and coal ash, as well as tighter regulation of chemicals under the Toxic Substances Control Act.

This avalanche of new, more stringent regulations will create additional costs for both existing and new facilities and increase uncertainty. In particular, the EPA's proposal to regulate GHGs under the Clean Air Act threatens to impose additional costs on U.S. manufacturers while doing little to reduce global GHG emissions. The economic impacts on areas that do not meet EPA air standards will be significant, constraining economic activity and job growth. To meet its proposed ozone standard, for example, the EPA estimates that compliance costs will range from $19-90 billion.

EPA's regulatory agenda needs to be reassessed. Proposed regulations should be more carefully calibrated to ensure that they are cost-effective, achievable, rooted in the best science, coordinated with available technology and do not unreasonably impair our economic growth or energy security.

As the U.S. manufacturing sector continues to struggle and shed jobs, the EPA's actions will impose additional expenses on U.S. manufacturers, adversely affecting American workers and placing U.S. companies at a competitive disadvantage to foreign firms. EPA's regulatory agenda needs to be reassessed. Proposed regulations should be more carefully calibrated to ensure that they are cost-effective, achievable, rooted in the best science, coordinated with available technology and do not unreasonably impair our economic growth or energy security.

Business Roundtable is ready to work with policymakers to create legislation and regulations that can address the risk of climate change and improve environmental quality, while also maintaining robust economic growth and enhancing energy security.

The Solution

- **Increase collaboration.** Industry should be more involved in the regulatory development phase to ensure that new requirements are achievable and will encourage innovation to develop the most efficient methods for compliance. Therefore, regulations must be achievable and consistent with available technology, while regulators must be cognizant of their impact on economic growth, international competitiveness and other energy and environmental objectives.

- **Streamline rules.** Agencies, especially those with overlapping jurisdictions, should harmonize and simplify rules to avoid confusion and increase efficiency for both agencies and industry.

- **Ensure fair regulation and enforcement.** New requirements should be benchmarked against other advanced nations to ensure that U.S. regulations do not hinder U.S. competitiveness in the global market.

- **Encourage the expansion of our nuclear fleet.** Nuclear power currently generates approximately 20 percent of the power we use. As the only existing, scalable low-carbon baseload generation technology, nuclear power will be critical to developing the nation's renewable energy potential, improving reliability and protecting the climate.

- **Expand and modernize the electric grid.** A modernized electric power grid can play an important role in meeting the sustainable growth challenge. U.S. companies are projected to invest $60 to $100 billion on transmission development by 2020. Federal policy regarding cost allocation, planning and siting of new transmission infrastructure will help remove barriers to the expansion of our nation's electric grid and should improve reliability, reduce congestion and facilitate the increased penetration of renewable power as a viable source of energy.

- **Maintain coal as a viable option to generate electricity.** Robust R&D investments, cost-sharing, regulatory reform and incentives for the development of carbon capture and storage technologies are essential for reducing emissions while maintaining the long-term viability of coal, which generates nearly half of our nation's electricity.

- **Provide access for oil and natural gas exploration and production.** Natural gas promises to be an important fuel for the future because of its environmental benefits and domestic availability. But many significant oil and natural gas prospects are now off limits. Greater access to these areas, including expediting a return to offshore drilling that has been restricted since the spill in the Gulf, will be required to provide us with reliable supplies of oil and natural gas for decades to come. As we transition to a low-carbon future, it is imperative that we ensure the availability of affordable and secure domestic supplies as alternative sources evolve and mature.

- **Encourage renewable energy development and deployment.** If the U.S. is to address climate change meaningfully and improve its energy security, it must continue to encourage the development and deployment of renewable technologies. Robust R&D investments, regulatory reform and targeted incentives will be essential for commercial scale deployment of many renewable energy and storage technologies.

Conclusion

Let's Work Together for America

Together, We Can Get the U.S. Economy Back on Track

Business leaders and elected leaders share the same ultimate goals:

- Get Americans working; and
- Get the U.S. economy back on track.

Businesses of all sizes in the private sector account for 80 percent of jobs in America, and large and small companies alike are positioned to drive the recovery and create more jobs. Some cite small business as the engine of job creation, but the truth is that large and small businesses are intertwined like vines on a trellis—one cannot thrive while the other withers.

Small business is an important part of the solution, but not the only part. Indeed, large U.S. companies with worldwide operations produce the majority of America's economic output, delivering nearly 75 percent of U.S. real GDP growth from 2000 to 2007.[12] Beyond driving growth themselves, large American companies doing business abroad help fuel the growth of small companies back here at home. One-quarter of every dollar that big businesses spend on goods and services used in their production processes in the United States goes to small business suppliers—companies with fewer than 500 employees. This amounts to $1.52 trillion worth of products and services from American small businesses, comprising approximately 12 percent of all small business sales.[13] And, of course, large companies are also key customers for medium-sized businesses as well.

Policymakers should work with businesses of all sizes to construct policies that will drive prosperity for all Americans.

Policies and conditions that hurt large American businesses also hurt small American businesses. Instead of pitting businesses against one another, policymakers should work with businesses of all sizes to construct policies that will drive prosperity for all Americans.

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1717 Rhode Island Avenue, NW
Suite 800
Washington, DC 20036
P: 202.872.1260
F: 202.466.3509

www.brt.org

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